



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240

Memorandum

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To: Bureau Finance Officers
Department Management Control Coordinators

From: R. Schuyler Leshner *R. Schuyler Leshner*
Director, Office of Financial Management

Subject: **FY 2000 Departmentwide Management Control Functional Review - Cash and Debt Management**

Background

The Office of Financial Management (PFM) has program responsibility for the development and implementation of cash and debt management policies, procedures and practices within the Department. In view of the substantial dollar volume of cash and debt management transactions within the Department, and the additional regulatory requirements imposed on bureau finance offices and personnel from recent legislation and U.S. Treasury, the Department felt that a high-level Cash and Debt Management Departmentwide Management Control Functional Review (DFR) should be conducted in FY 2000.

The objectives for the FY 2000 Cash and Debt Management DFR were to:

- assess the existence and effectiveness of bureau management controls over the Cash and Debt Management Program;
- identify potential material deficiencies that could impact the FY 2000 audited financial statement process;
- identify opportunities for enhancing and improving Program Management Controls; and,
- identify potential best practices that have evolved in the Program to date.

Due to conflicting priorities related to the annual audited financial statement process, the start of the Cash and Debt Management DFR was delayed until August 2000. PFM elected to employ the Department's automated management control assessment approach to facilitate conducting this review. The standard automated management control assessment questionnaire was modified to focus on specific issues and areas of concern with cash and debt management policies, procedures and practices. The DFR included five general measurement areas: organizational control environment; risk management; regulatory compliance; audit resolution; and, program-specific controls. The DFR focused on procedures and practices in bureau finance offices.

The DFR assessment questionnaire was posted to a secure internet website and Bureau Finance Officers (BFO's) were requested to complete the questionnaire, and where appropriate, direct other finance office personnel with substantial involvement in the cash and

debt management program to complete the questionnaire. As noted in Attachment 1, a total of 18 responses were returned and processed by the due date. With the exception of the National Park Service, all bureaus and offices participated in the DFR. The respondents provided complete answers to the assessment questionnaire, and informative narrative comments about Cash and Debt Management Program issues and areas of concern.

The responses to the assessment questionnaire were processed by PFM using the automated assessment approach software tool, SurveyTracker. The results were quantified by the software tool and composite mean scores were determined for each question. These scores were then compared to the pre-defined Departmental mean score of 2.5 (on a 5 point scale). A summary composite score for each of the five DFR management integrity measures assessed was calculated by the software. These results were summarized and reported in the "spider diagram" in Attachment 2. Questions with a composite mean score of less than 2.0 were considered potential deficiencies. Questions with a composite mean score between 2.0 and 2.5 were considered potential areas for improvement. Questions with a composite mean score of 3.0 or greater were considered potential areas of strong management controls and or best practices. In addition, the narrative responses to the questionnaire were reviewed to provide further insight into areas of improvement and or best practices. Each of the questions in these categories are noted in Attachment 3, and will be referred to BFO's and the Department's Finance Officers Partnership for further review and consideration.

Summary of DFR Results

PFM received 18 responses to the DFR questionnaire from 8 bureaus and offices. A response was not received from the National Park Service. Although the responses are not considered statistically valid to make conclusions, the DFR results indicated that the management controls in the Cash and Debt Management Program which were assessed generally met, and in several instances, exceeded Departmental standards and OMB objectives. The DFR results indicated that no material weaknesses exist in the areas assessed at this time.

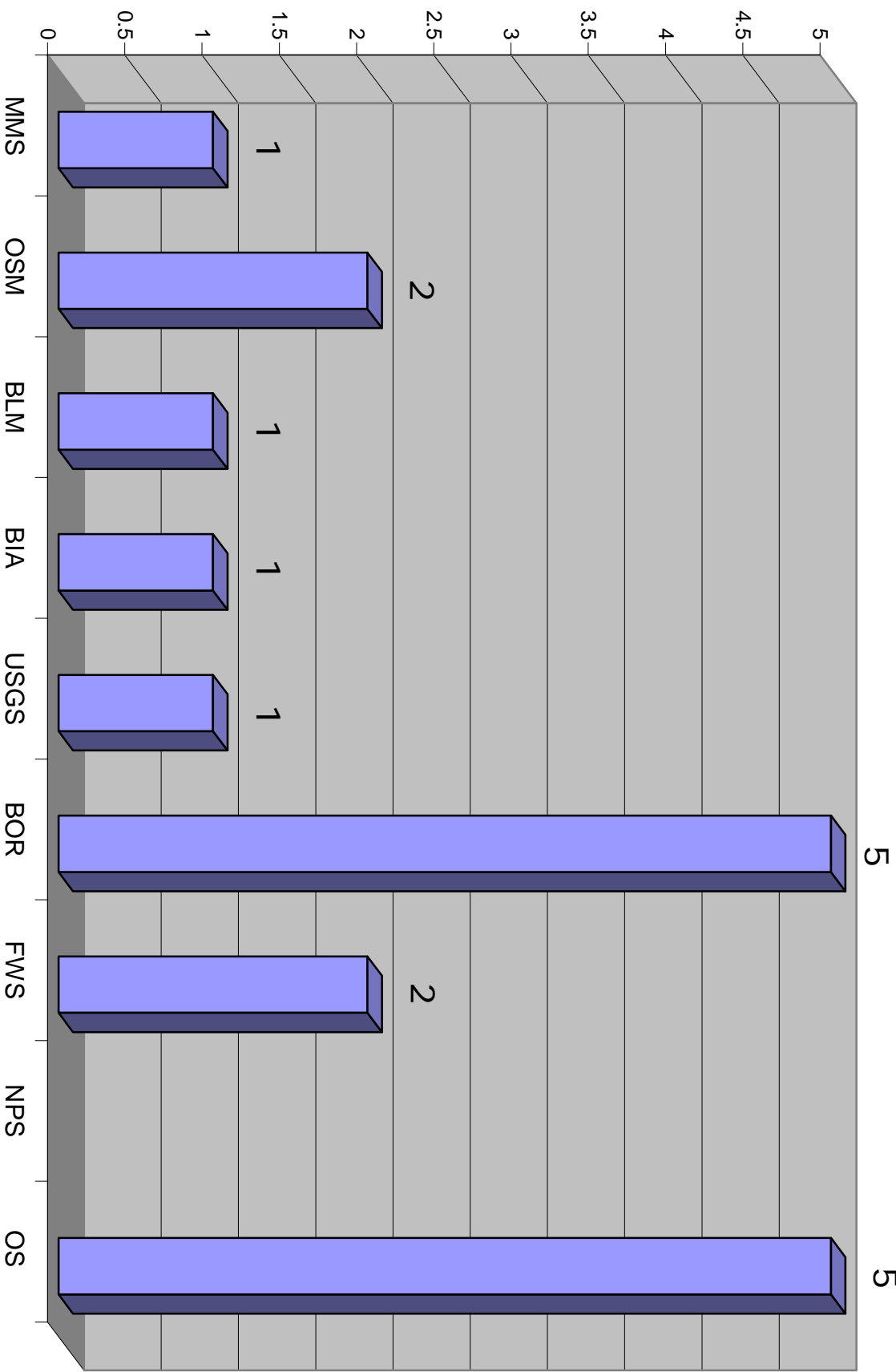
As previously noted, the composite mean scores for responses to several questions indicated that there are several areas of potential deficiencies, areas for improvement, and best practices which will be referred by PFM to the bureaus for further review and consideration. PFM will coordinate with the bureaus to ensure that appropriate review and follow-up of the DFR results is performed within FY 2001, and that the results are communicated throughout the Department.

Attachments

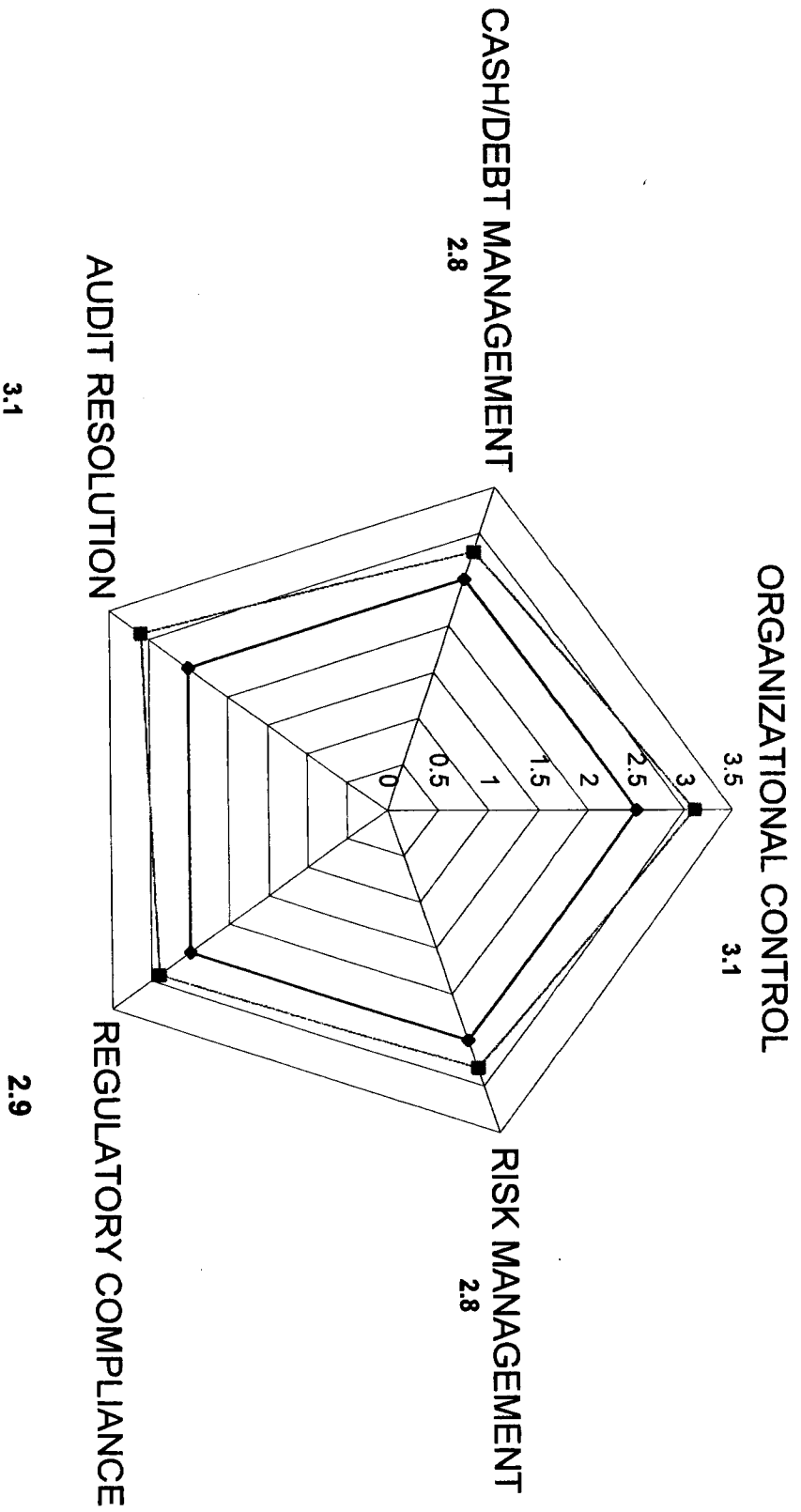
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RESPONDENTS TO THE CASH AND DEBT MANAGEMENT SURVEY

Attachment 1



CASH/DEBT MANAGEMENT SURVEY



—◆— DOI MEASURE —■— CASH/DEBT MANAGEMENT

Attachment 3

FY 2000 Departmentwide Management Control Functional Review (DFR) Cash and Debt Management

1. Questionnaire Responses Identifying Potential Deficiencies

Electronic Funds Transfers (EFT)

The Debt Collection Improvement Act of 1996 (DCIA) requires all payments to be made by EFT unless a waiver is granted. These scores indicate areas of concern related to full compliance with DCIA.

89. A supporting cost benefit analysis is performed to justify use of a disbursement mechanism other than EFT (such as third-party drafts). - **Score 1.9**

International Transactions

Although the Department does not have a significant amount of international payments, the responses to the following question indicated an area of concern.

111. The Fiscal Assistant Secretary and the Director of International Affairs are immediately advised of negotiations concerning international programs, and are provided with the opportunity to review the financial provisions of any pertinent Memorandum of Agreement (Understanding) before it is signed. - **Score 1.9**

2. Questionnaire Responses Identifying Potential Areas for Improvement

Timeliness of Deposits

Safeguarding incoming cash from theft, loss or mishandling is an extremely important function and management control. Receipts should be deposited in a timely manner so that the funds are safeguarded, payments are properly credited to the Treasury, and the float time is reduced.

72. Collections totaling less than \$5,000 are accumulated and deposited when the total reaches \$5,000 - **Score 2.2**

73. Deposits are made by Thursday of each week, regardless of the amount accumulated. - **Score 2.3**

76. Treasury checks received totaling \$5,000 or more are deposited on the same day received at the nearest FRB rather than Treasury's General Account with a commercial depository. - **Score 2.1**

Electronic Funds Transfers (EFT)

The Debt Collection Improvement Act of 1996 (DCIA) requires all payments to be made by EFT unless a waiver is granted. These scores indicate areas of concern related to full compliance

U.S. Department of the Interior Management Control and Audit Follow-up Program

Criteria for Mission Critical Weakness Designation and Correction

Criteria to be used for designating a program or administrative function material weakness as a mission critical material weakness in the annual Accountability Report.

The Department's Management Control and Audit Follow-up Council will consider the following in making a mission critical material weakness designation:

- An inherent program or administrative functional material weakness that makes the program or activity susceptible to fraud, waste, and abuse.
- A systemic deficiency caused by ineffective program or management support, financial systems, policies, and or procedures established by a bureau or reporting entity to carry out a major program or administrative function.
- A material weakness that is seriously detrimental to the public health or safety, a program or administrative activity, service delivery, national security, economic growth, privacy, or citizen's rights.
- A material weakness that could result in significantly impaired service, program failure, significantly reduced program effectiveness or efficiency, public injury or loss of life, unreliable decision-making data, reduced confidence in government, and unauthorized disclosure, manipulation or misuse of sensitive information such as personal, financial management or programmatic data maintained in computerized systems.

Criteria for removing a mission critical and/or material weakness designation for annual Accountability Report purposes.

The Department's Management Control and Audit Follow-up Council will consider the following in removing a mission critical and or material weakness designation:

- Senior management has demonstrated its commitment to resolving the high risk or material weakness as evidenced by resource deployment and frequent and regular monitoring of corrective action progress.
- Substantial and timely documented progress in completing material weakness corrective actions.
- Corrective actions have been substantially completed, or will be completed within the next fiscal year.
- Implemented corrective actions have eliminated or minimized the root cause(s) of the high risk or material weakness.
- Substantially validation and monitoring of corrective action effectiveness has been performed.